

Coalition for Historic Preservation and Economic Development

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Governor Nixon's tax credit commission criticized as lacking enough representation of people who know economic benefits of Historic Tax Credits

July 22, 2010 Governor Jay Nixon released his plans for creating a commission to perform a review of the state tax credit programs yesterday. The Missouri Coalition for Historic Preservation and Economic Development (MCHPED) spokesperson Deb Sheals, stated, "We are concerned that the Governor's commission does not appear to have enough representation from people and organizations that are familiar with the dramatic impact the Historic Tax Credit has had in the production of jobs and economic development across Missouri. There are, for example, no representatives from small main street organizations, community development organizations, or historic preservation organizations, all of whom have firsthand experience in how well the program works for the average citizen. Missouri leads the nation in economic development from the historic tax credit, and any commission that is looking at this issue should include more members that are familiar with how it works."

It also appears that the members chosen for the commission mirror a previous effort taken midway through the 2010 legislative session to pit education vs. development and redevelopment in communities throughout the state. This is not an either-or situation; economic development through historic preservation creates a stronger tax base and is therefore a benefit to education.

The State Historic Tax Program is a proven economic engine. Historic Tax Credits create jobs, encourage environmentally sensitive redevelopment, and long term revenue sustainability for the state of Missouri. Since 2000, historic tax credits have

(More)

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generated more than \$669 million dollars in revenue for the state and local governments while creating 43,150 new and retained jobs with an average salary of \$42,732. (See the attached executive summary of a recent study of the impact of this program.) The Governor's attacks are creating industry-wide uncertainty and have crippled the effectiveness of the program as an economic stimulus.

MCHPED looks forward to once again demonstrating the tremendous state and community benefits generated by the Historic Tax Credit Program.

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An Evaluation of the Missouri Historic Preservation Tax Credit Program's Impact on Job Creation and Economic Activity Across the State

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Executive Summary

Nearly a decade after its creation, the Missouri Historic Preservation Tax Credit (HPTC) program has been used in cities, towns, and counties across the state. By 2010, the program has been hailed as a model for similar programs in states across the US. This fact notwithstanding, the evaluation of the program found in this document has been created to answer questions about how the program has impacted Missouri.

According to data provided by the Missouri Department of Economic Development, there were 1,726 applications where credits were issued under the Historic Preservation Tax Credit Program from 2000 through 2009. While most of these applicants were from the St. Louis and Kansas City Metropolitan areas, the St. Joseph area is the fourth largest beneficiary of the program.

As of the end of 2009 we note the following statistics about the program:

Average tax credit issued: \$ 482,340

Median tax credit issued: \$ 78,505

Maximum amount issued: \$ 20,179,741

Minimum amount issued: \$ 399

Approximately 33% of the projects used less than \$50,000 in tax credits

Approximately 57% of the projects used less than \$100,000 in tax credits

Less than 13% of the projects used more than \$1 million in tax credits

These usage statistics suggest that the program is widely used across multiple types of projects. In looking at the spatial distribution of the projects across the state, beyond the program's use in St. Joseph, it is worth noting that we found program use in 42 of the 115 or 37% of the counties across the state. Normalizing HPTC use by an

indicator of the amount of potentially eligible properties, the number of housing units in a county built before 1940, Map 1 on the following page shows a fairly even distribution across the state. Our economic impact analyses, described in detail in this report, find that the HPTC is associated with:

43,150 new or retained jobs with an average salary of \$42,732

\$669,872,192 new sales/use and income tax revenue to the state and local governments

\$2.9 billion in leveraged private investment

Higher-than-expected rates of annual job growth

Higher-than-expected increases in high paying sustainable jobs

Further insight into these conclusions as well as detailed explanations of how we determined our figures make up the remainder of this document. It becomes evident that the HPTC program is associated with positive economic performance in Missouri over the past ten years that exceeds many expectations. This seems to include a softening of the effects of the recession of the early 2000s. Assuming that the program continues to be administered effectively and responsibly, we see no reason why the HPTC program will not be found to be associated with positive effects during the current recession and growth in the state of Missouri once it is over.